



ALFRED-WEBER-INSTITUT FÜR WIRTSCHAFTSWISSENSCHAFTEN
BERGHEIMER STR. 58, 69115 HEIDELBERG, TEL. 06221/54-2941, FAX: 06221/54-3592
REDAKTION: FREYA SCHADT, EMAIL: NEWSLETTER@AWI.UNI-HEIDELBERG.DE

AWI This Week

Monday, 21.1.13

Departmental Seminar I

17.15-18.45
AWI 00.010

Hendrik Hakenes, University of Bonn
"Regulatory Capture by Sophistication"

Tuesday, 22.1.13

Economics & Politics Seminar

14.15-15.15
AWI 02.036

Thomas Siedler, University of Hamburg
"The Economics of Information: Job Information
Centers and Labor Market Outcomes"

Wednesday, 23.1.13

Departmental Seminar II

17.15-18.45
AWI 00.010

Guillaume Frechette, NYU
"The Impact of Monitoring in Infinitely Repeated
Games: Perfect, Public, and Private"

Jour Fix

The AWI JOUR FIXE takes place at the Lounge on a weekly basis on Mondays from 16:30 till 17:15 (i.e., just before the departmental seminar). There you will have the opportunity to meet the speaker, enjoy a coffee, and exchange news and discuss research with other members of the AWI.

Departmental Seminar I

Hendrik Hakenes

"Regulatory Capture by Sophistication"

One proposed reason for the poor performance of regulation in the recent financial crisis is that regulators had been captured by the financial sector. We present a micro-founded model with rational agents in which banks may capture regulators due to their high degree of sophistication. Banks can search for arguments of differing complexity against regulation. Finding such arguments is more difficult for a bad bank, which the regulator wants to regulate more strictly. However, the more sophisticated a bank is, the more easily it can produce an argument that a regulator may not understand. Career concerns prevent the regulator from admitting this, hence he rubber-stamps even bad banks, which leads to inefficiently low levels of regulation. Bank sophistication leads to capture, and thus to worse regulatory decisions.

*with Isabel Schnabel

Economics & Politics Seminar

Thomas Siedler

"The Economics of Information: Job Information Centers and Labor Market Outcomes"*

This study investigates the causal link between the opening and availability of job information centers and individuals' long-term labor market outcomes. We exploit exogenous variation in the availability and geographic proximity of job information centers stemming from a nationwide program agreed upon by the Council of the Employment Agency. Combining data from the German Socio-Economic Panel Study (SOEP) with administrative data on the location and introduction of job information centers allows us to detect whether an individual could have benefited from the information service during their youth. The results suggest that individuals in counties with a job information center while they were in grades 8 and 9, have higher wage incomes than pupils who did not have access to these facilities. Moreover, they are less likely to change jobs later in life. Various robustness checks support our findings.

*with Nils Saniter

Departmental Seminar II

Guillaume Frechette

"The Impact of Monitoring in Infinitely Repeated Games: Perfect, Public, and Private"

In this paper we propose an experimental design to compare the impact of monitoring on cooperation in infinitely repeated games. More specifically, we study a prisoner's dilemma, with random termination, in the laboratory. Three monitoring structures are investigated, while keeping fixed the strategic form of the stage game: perfect monitoring, imperfect public monitoring, and imperfect private monitoring.

Under perfect monitoring, payoffs are stochastic (as under imperfect monitoring), but actions are observed. Under imperfect monitoring, each agent observes a noisy signal of their opponent's action, but not the action itself. In the public monitoring case, the signals received are common knowledge; under private monitoring, a player does not know the signal observed by the opponent. We explore the choices and strategies used under each of these information structures and relate the observed behavior to the important forces present in theory. We find that subjects are able to sustain cooperation under imperfect monitoring, even when monitoring is private.

*with M. Aoyagi and V. Bhaskar

Miscellaneous

Christian Haubach, former Ph. D. student of Hans Diefenbacher, has successfully defended his doctoral thesis on "Die Initialisierungsproblematik bei der Einführung eines Systems kumulierter Emissionsintensitäten", January 10.

**Editorial deadline for issue 4/2013 of the newsletter:
Wednesday, January 23, 2013, 12 o'clock
newsletter@awi.uni-heidelberg.de**

If you would like to receive the newsletter by email,
please contact the address above.